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SUBJECT: BULGARIA: AID'S POST-GRADUATION PARTNERSHIP:
USING IT SECTOR TO BOOST ECONOMY, DRIVE TRANSPARENCY

¶1.   Summary: When AID formally closed its mission to
Bulgaria in 2008 after 17 years of operation and 650 million
dollars of aid, many Bulgarians assumed that the assistance
relationship had come to an end. However, the continuing
need for engagement to help address domestic priorities and
to prepare for a future role as an EU donor country resulted
in an AID pilot program focused on the establishment of
public-private partnerships. Under the stewardship of a
Development Counselor, we have successfully launched this
partnership program and have garnered both enthusiastic
support and financial assistance from Bulgarian government
authorities and the private sector.

¶2.   We chose the IT sector as the initial target for the
partnership program for several reasons: Bulgaria has a
history of IT development and several major American IT
companies (including IBM, Microsoft, HP and Cisco) are
currently operating here. The IT sector offers relatively
quick opportunities for economic growth via start-ups and
incubators. And over the long term, greater IT penetration
offers the prospect of boosting transparency and combating
corruption throughout government and the economy.

¶3.   Government funds ($500,000 each from the USG and GOB)
will be matched and exceeded by companies and private
foundations. Our hope is that proposals in the IT sector
will be funded at the level of approximately $4-5 million in
the first phase. Public profile and corporate support for
the partnership were boosted by the personal endorsement of
Wikipedia co-founder Jimmy Wales, who attended our launch.

¶4.   The challenge now is to solicit top caliber proposals and
to match them with adequate funding. Having used IT to prove
that the partnership concept can succeed here, we will also
turn to development of the next phase and identify other
sectors that will attract private funding and produce
concrete results. End Summary.

¶5.   After laying the groundwork through nation-wide
consultations, we launched on June 5 the first of a series of
public/private partnership activities under the direction of
the USAID Development Counselor. This pilot program,
established in late 2008, picks up from the successful USAID
program that ended last year. The focus of the first
partnership -- Information Technology and Innovation --
builds on the existing strengths and prior investments of the
IT industry in Bulgaria and the reputed excellence in
academic institutions. That said, there is much room to grow
and an economy that is in desperate need of competitive new
jobs. The focus of the Partnership is on building human
capital, stimulating and nurturing new ideas/applications,
and strengthening the policy environment for new businesses.

¶6.   The June 5 event brought together the four arms of the IT
sector: government, represented by Minister of State
Administration Nikolay Vassilev and Deputy Minister of
Economy and Energy Nina Radeva; academia, represented by 15
of the top-rated universities and technical institutes

throughout the country; industry, represented by a wide range of Bulgarian and international IT companies; and NGOs who work with youth and policy. Others included interested local foundations and international organizations.

¶7.   The Partnership launch calls for proposals to be submitted over the summer; not "business as usual," but jointly funded by private sources with cost leveraging of at least two to one. The U.S. and Bulgarian governments have each committed $500,000 this fiscal year and there is a commitment on the part of several private foundations to co-fund some proposals, details to be decided at a later date. To kick off the process, six small grants were announced at the event funded through USAID by the Bulgaria Fund (German Marshall Fund), all directly addressing the IT sector.

¶8.   Wikipedia co-founder Jimmy Wales was a special guest at the launch and served as the example to which Bulgarians can aspire in technology innovation. In his remarks, he noted the importance of a transparent and supportive business climate to unleash the creativity that leads to ideas like Wikipedia, and praised the Partnership as one concrete step to achieve that.

¶8.   The next step is to assure that solid proposals with adequate leveraging of funds are received and new sources of funding are identified to support the Partnership. As the Bulgarian government slogs through the summer election campaign and the process of creating a workable coalition government, we will take advantage of this interregnum to help consolidate our contacts to create new partnership opportunities in a sector that offers promise. This engagement with the IT sector in Bulgaria that includes the

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recent establishment of IBM's Nanotechnology Center, the Gates Foundation's $50 million program to network the country's libraries, and a $5 million grant from the American for Bulgaria Foundation (ABF) to digitize library holdings.

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